

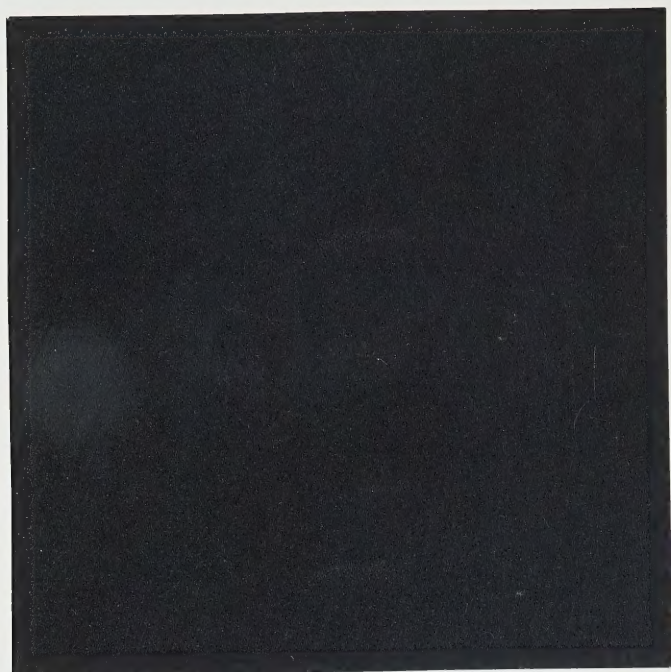
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NEW SMALL BUSINESSES STUDY  
APRIL, 1986

MINISTRY OF INDUSTRY,  
TRADE AND  
TECHNOLOGY  
ONTARIO





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Analyzed by:  
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In March/April, 1986 the Small Business Branch conducted its third annual survey of new unincorporated business starts. The result was 1,118 completed interviews which describe the new business and the person starting it.

As in previous years, the data was divided into three subgroups in addition to being looked at as a whole. The subgroups, which are not exclusive, consisted of women starting businesses, youth (under 30) and those who intend to hire employees. This last group is referred to as the owner/operator group.

The survey was conducted in the Companies Branch of the Ministry of Consumer and Commercial Relations. This is located at 555 Yonge Street, Toronto. It was felt that this may have biased the results in terms of Toronto as a location and therefore an analysis was done of all registrations in that time period. The proportions were within 5% of those found in the survey.

The results of this survey are consistent with those of the previous two surveys, increasing the confidence with which this data is used.

This year a small increase in the proportion of female entrepreneurs was noted. Table 1 indicates the age and sex



of the respondents. (In order to present

TABLE 1  
SMALL BUSINESS OWNERS: AGE AND SEX

Age:	<u>All Respondents</u>		<u>Owner/Operator</u>	
	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>
Less than 25	24 8.3	141 17.1	4 5.1	50 15.8
25-29	91 31.5	207 25.1	23 29.1	75 23.6
30-50	166 57.4	401 48.7	50 63.3	167 52.7
More than 50	8 2.8	75 9.1	2 2.5	25 7.9
TOTAL	289 26.0	824 74.0	79 20.0	317 80.0

this data in as brief and coherent a form as possible, each table will show as many sub-groups as would be appropriate.)

The majority of businesses are being started in the service sector, just under 7% are in manufacturing. Table 2 indicates the sector in which businesses are being started by our respondents.





TABLE 2  
BUSINESS START UP BY SECTOR

	<u>All</u>		<u>Owner/ Operator</u>		<u>Female</u> <u>Entrepreneurs</u>		<u>Youth</u> <u>Entrepreneurs</u>	
	#	%	#	%	#	%	#	%
Manufac- turing	76	6.8	31	7.9	22	7.6	35	7.6
Service	778	69.6	275	69.8	170	58.8	326	70.4
Retail	263	23.6	88	22.3	97	33.6	102	22.0
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	1,117	100.0	397	100.0	289	100.0	463	100.0

The proportion of partnerships as opposed to sole ownerships is fairly constant among the subgroups. Three-quarters of the start-ups are sole proprietorships.

The majority of starts will be people working out of their homes. Table 3 indicates how prevalent this arrangement is in each subgroup. Young entrepreneurs and women are more likely to be working out of their homes than are owner/operators who are much more likely to have rented space.

Owner/operators, by our definition, are those who are planning to hire employees. They represent 35.6% of the sample. Among the female entrepreneurs, they represented 27.3% while among the young entrepreneurs they represented 33%. Interestingly, while a smaller percentage of women will be hiring, they will be hiring an aver 4.5 employees as compared to 3.7 employees being hired by young entrepreneurs. The owner/operators were hiring 4.03



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TABLE 3  
SPACE TYPE BY SUBGROUP

	<u>All</u>		<u>Owner/</u>		<u>Female</u>		<u>Youth</u>	
	<u>Respondents</u>		<u>Operator</u>		<u>Entrepreneurs</u>		<u>Entrepreneurs</u>	
	#	%	#	%	#	%	#	%
Part of								
Home	768	68.7	226	56.9	201	69.5	331	71.5
Space								
Leased	285	25.5	143	36.0	72	24.9	111	24.0
for								
Business								
Space								
Bought	40	3.6	23	5.8	8	2.8	8	1.7
for								
Business								
Other	25	2.2	5	1.3	8	2.8	13	2.8
	—	—	—	—	—	—	—	—
	1,118	100.0	397	100.0	289	100.0	463	100.0

employees.

The reasons entrepreneurs gave for deciding to go into business were clustered among four main answers:

- (1) The desire to be their own boss (own boss)
- (2) Money
- (3) Previous experience (Experience)
- (4) Seeing a need for a product or service (product)





The order in which the two latter responses were given within the subgroups differs. Table 4 compares all four of them to each other.

TABLE 4  
REASONS FOR STARTING A BUSINESS

	<u>All</u> <u>Respondents</u>		<u>Owner/</u> <u>Operator</u>		<u>Female</u> <u>Entrepreneurs</u>		<u>Youth</u> <u>Entrepreneurs</u>	
	#	%	#	%	#	%	#	%
Own Boss	368	27.6	122	26.1	100	28.3	157	28.3
Money	280	21.0	90	19.2	66	18.7	135	24.4
Previous Experience	162	12.2	77	16.5	26	7.4	59	10.6
Product	94	7.1	38	8.1	32	9.1	38	6.9
Other <sup>1</sup> Answers	427	32.1	141	30.1	129	36.5	165	29.8
TOTAL <sup>2</sup>	1,331		468		353		554	

<sup>1</sup>These are scattered among dozens of responses with no more than 5% in any answer.

<sup>2</sup>Multiple answers result in a higher total than the sample.



The numbers of new entrepreneurs who have been employed in the kind of business they are starting are high, but fewer than 50% of any except the owner/operator had previously owned any business and fewer than one-quarter of the total sample had owned the same type of business. Table 5 highlights the respondents in each subgroup that answered "yes" to having either employment or ownership experience. The range of previous ownership is particularly interesting - 41% of owner/operators to 43% for youth entrepreneurs.

TABLE 5  
PREVIOUS OWNERSHIP AND EMPLOYMENT EXPERIENCE

	<u>All Respondents</u>		<u>Owner/ Operator</u>		<u>Female Entrepreneurs</u>		<u>Youth Entrepreneurs</u>	
	#	%	#	%	#	%	#	%
Previous:								
Employment	755	67.6	292	73.6	180	62.3	35	69.1
Any Owner-	661	59.4	281	71.1	127	44.1	326	43.0
ship								
This type								
Ownership	232	20.9	105	26.6	47	16.3	67	14.6

Almost 15% of those in the sample were already operating their businesses. This was fairly consistent among the groups. Close to half of the respondents expected to be operating within the month, while just under 30% anticipated that they would start in 1 - 3 months. Only 6.1% suggested longer time spans before start-up. This is important information for program delivery purposes as the time when a





new registrant hears about the Ministry's programs is very close to the startpoint.

The start-up investment ranges from less than \$5,000 to more than \$50,000. Only for the owner/operator group do fewer than 50% indicate that they will have an investment below \$5,000. The average investment for each group varies from \$10,517 for young entrepreneurs, to \$11,202 for women to \$15,797 for owner/operators. The mean investment for the total sample is \$12,642. Table 6 compares start-up investment with both this year's mean sales/billings and projected mean sales/billings for 5 years hence.

TABLE 6  
INVESTMENT AND EXPECTED BILLINGS

	<u>All</u> <u>Respondents</u>	<u>Owner/</u> <u>Operator</u>	<u>Female</u> <u>Entrepreneurs</u>	<u>Youth</u> <u>Entrepreneurs</u>
	\$	\$	\$	\$
Average				
Investment	12,642	16,797	11,202	10,517
Estimated				
Sales/	60,511	80,027	37,860	48,329
Billings				
this year				
Estimated				
Sales/	565,196	876,316	239,510	515,217
Billings -				
5 Years				

It is difficult, when examining table 6, to determine if the female entrepreneur is realistic or pessimistic. Both the long range and immediate estimates of billings/sales are lower for this group than for any other.



The source of financing is overwhelmingly out of personal savings, 67% of the whole sample expects to be using their own money. Table 7 summarizes the responses of the different groups.

TABLE 7  
SOURCE OF INVESTMENT

	<u>All</u> <u>Respondents</u>	<u>Owner/</u> <u>Operator</u>	<u>Female</u> <u>Entrepreneurs</u>	<u>Youth</u> <u>Entrepreneurs</u>
	%	%	%	%
Personal Savings	67	59	67	65
Financial Institution	17	22	17	19
Friends/ Relatives	6	7	6	7
Other	10	12	10	9

The pattern of these responses is very similar in the different groups. The only difference is in the owner/operator group which believes that more of its requirement will be met by financial institutions. As mentioned earlier, this group will, on average, be making a higher investment.

Entrepreneurship may be being viewed as an alternate to employment by many of those starting businesses, who exhibit a much higher rate of unemployment than the general population. In the whole sample 21% stated that they were unemployed. This was 22% for female and 23% for youth entrepreneurs. The unemployment rate in Ontario was below 10% during this period.





The profile of the person starting a small business would be a male, 30-50 years old, with post-secondary school education. He will be starting a service business as a sole proprietor and will be working out of part of his home. He has never owned a business before but has had experience as an employee in the kind of business he is starting. His initial investment is expected to be low and will come from personal savings.





